How I'd Find Top Growth Shares to Buy at Cheap Prices in December 2020

Description

Taking the time to find top growth shares to buy at cheap prices could be a worthwhile move in the long run. It may allow an investor to take part in improving company performance, while benefitting from a potential increase in valuation over the coming years.

Through focusing on solid businesses operating in sectors with strong growth outlooks, but that face challenging near-term prospects, it may be possible to capitalise on the stock market's future growth potential.

Identifying top growth shares in attractive sectors

Top growth shares are likely to deliver improving profitability in the coming years because of attractive prospects for the industry in which they operate. If they have weak operating conditions in the coming years, they are more likely to record disappointing sales and profit growth.

As such, identifying industries with attractive growth prospects could be a sound move. This process may understandably be more difficult at the present time due to the rapid changes that are taking place across the global economy in response to the pandemic. However, some sectors appear to have sound long-term growth prospects that could be conducive to rising profitability for their incumbents.

For example, sectors such as healthcare and technology may provide long-term opportunities for top growth shares. Trends such as an ageing world population and changing consumer tastes that rely to a greater extent on new technology may mean that opportunities to expand sales and profitability are extensive within those sectors.

Focusing on strong companies facing uncertain operating conditions

Finding top growth shares at cheap prices may mean focusing on strong companies that face challenging near-term prospects. Strong companies may be those that have solid financial positions that can be used to invest in rivals or in developing new goods and services. They may also have wide economic moats that could enable them to deliver superior financial performance to their peers over the long run.

However, they may be facing difficult operating conditions in the short run caused by the pandemic. This may provide an investor with the opportunity to buy them while they trade at cheap prices. Other investors may be more concerned with their near-term outlooks, rather than their long-term growth potential. Through having a patient approach, it may be possible for an investor to capitalise on long-term growth opportunities when they trade at low prices.

Managing risks

Clearly, the prospects for top growth shares can change rapidly. Their current outlooks may improve or worsen over the coming months and years. Therefore, it is crucial to manage risk, in terms of diversifying across a range of sectors and geographies. This may not only mean lower losses, but could also create a less volatile portfolio that provides a more effective means of achieving an investor's financial goals in the coming years.

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